

## **FACT SHEET**

### **STRENGTHENING THE ECONOMY 2006 INITIATIVES**

The Lingle-Aiona Administration is committed to continuing Hawai'i's economic well-being. One facet of the Administration's efforts is to provide the resources to develop our workforce in areas where the State faces a critical shortage of workers in skilled and high-paying jobs, including nursing, engineering, the construction trades, and energy development.

#### **Workforce Development**

##### **Funding for the University of Hawai'i and Community Colleges**

The fiscal year 2006-2007 Lingle-Aiona supplemental budget includes millions of additional dollars for workforce development programs at the University of Hawai'i and community colleges including:

- \$5.5 million to the Construction Trades Academy to prepare high school students to enter building trade apprenticeship programs. This is a joint UH-DOE program to expand the number of students who can enter the construction trades apprenticeship programs. This program builds upon the work of the UH community college pilot program that is currently partnering with eight high schools. The additional funds will allow up to 28 high schools to participate in the Academy.
- \$4.5 million to the School of Nursing. These funds will provide additional training positions to allow up to 275 more qualified students to enter the nursing program at these campuses. Currently, according to its dean, the School of Nursing turns away 350 qualified applicants a year because of an insufficient number of instructors. The median age of nurses in Hawai'i is 49 and by the year 2010, Hawai'i will face an estimated shortage of 2200 skilled nurses.
- \$1.2 million in additional funds for teacher training to provide up to 100 more graduates per year with teaching degrees. In addition, this money would provide support for 150 community college students who want to enter the teaching profession and fund 50 Teach-For-America individuals with bachelor's degrees who have volunteered to teach in difficult to fill subjects or rural/remote schools.
- \$1.4 million to augment the number of students able to study at the UH College of Pharmacy located in Hilo.

##### **Expanding Opportunities in the Field of Civil Engineering**

In addition to these workforce development programs funded in the Lingle-Aiona budget, a bill has also been introduced to promote the civil engineering profession at the University of Hawai'i.

- In recent years, the Department of Transportation has experienced difficulty in recruiting and retaining qualified engineers, which is due, in part, to the decreasing enrollments in civil engineering at the University of Hawai'i and the disparity in salaries between the private and public sectors.

- This bill appropriates \$100,000 to establish a civil engineering scholarship program open to qualified high school graduates to enhance the pool of talent to fill vacancies in the Department of Transportation by providing financial assistance, on-the-job training, and educational opportunities to qualified students in the civil engineering field.
- Ten scholarships will be offered each year, two for each class level.

#### Federal Reed Act Workforce Development Funding

Governor Lingle is proposing an appropriation of \$10 million in federal Reed Act funds to be expended in State and county programs to prepare individuals to enter rapidly growing fields such as healthcare, education, the building trades, technology, life sciences, and marine sciences.

- The Department of Labor and Industrial Relations received approximately \$31 million in federal Reed Act funds in 2002.
- This bill appropriates a portion of these funds in FY 2007 to improve the services of the State's unemployment insurance and workforce development divisions through information technology upgrades. The bulk of the remainder of the \$10 million in funding will go to the county workforce investment boards to improve employer outreach and services, labor force pool expansion, capacity building, and to fund some shared costs for the operations of the one-stop career centers. Additionally, these funds may be used for capital expenditures for unemployment and employment service programs.

#### Youth Challenge Academy

The Administration has budgeted \$160,000 to establish a Vocational Training Exploration Component in the Hawai'i National Guard Youth Challenge Academy.

- These monies will be used by the Hawai'i National Guard Youth Challenge Academy to provide up to 200 at-risk students per year with vocational training.
- 51% of Academy graduates are in school, employed, or have joined the military.

#### Reducing Red Tape for Vocational Licensing

The Lingle-Aiona Administration proposes a pair of bills to ease the burden on those wishing to change the status of their vocational licenses.

- Currently, only 11 of 45 licensing boards and programs statutorily provide the option for licensees to go on inactive status.
- The first bill proposes to offer all licensing boards and programs the option of allowing their licensees to go on inactive status when they are currently not engaged in the practice of their profession or vocation and to reactivate their licenses at any time during the licensure period or at renewal.

A uniform licensing process ensures consistency and reasonableness in the regulation of professions and vocations.

- The second bill would implement the Board of Nursing's request to change to a two-year restoration period to provide a wider window for nurses to return to the workforce. The Board believes that the practice of nursing does not change enough in one year to require reevaluation of the nurse's minimum competency.

On a nationwide basis, a majority of boards of nursing allow for a two-year restoration period.

In addition, a licensee currently may be required to submit proof of passage of the licensing examination if the licensee has not practiced for more than five years.

Upon passage of this bill, completion of continued education may also be recognized by the Board if the licensee wants to reactivate the license and resume nursing. This is less onerous than having to re-take the licensing examination.

### Expanding the Natural Energy Laboratory of Hawai'i

Diversifying job opportunities by upgrading and expanding the Natural Energy Laboratory of Hawai'i (NELHA) in Kona as a center of excellence in identifying and developing new industries is among the Lingle-Aiona budget initiatives this year. They include:

- \$540,000 to plan and design an additional pipeline and the accompanying distribution lines to expand the capacity of the existing 55-inch seawater distribution system.
- \$50,000 to make the final interconnection between two existing 12-inch potable water mains to allow a complete system upgrade.
- \$312,000 for NELHA to design and construct additional groundwater monitoring wells.
- \$400,000 to plan and design access roads and utilities to more fully utilize some of the acreage at the Park.

### Helping Employers and Employees

The Lingle-Aiona Administration recognizes that business is the backbone – and Hawai'i's workforce the muscle – of our economy. The Administration has put out the "Open for Business" sign and these efforts have produced good results. But more remains to be done. This year, the Administration is introducing a number of proposals to provide relief to employers while at the same time ensuring that our working men and women are treated fairly and with the dignity they deserve.

### Workers' Compensation Reform

The Administration promotes workers' compensation reform by repealing the restrictions placed on the Director of Labor and Industrial Relations by the 2005 Legislature and restoring the director's authority to make meaningful reforms to Hawai'i's outdated workers' compensation system.

- Hawai'i is ranked as one of the highest states in the nation in the average cost employers pay in workers' compensation premiums.

- Studies show that Hawai'i has a high percentage of injured workers who miss work due to workplace injury and that every year it takes longer for injured employees to return to work. This is due in part to over-utilization of medical care that only serves to further harm the employee physically, mentally, and financially. Over-utilization and unnecessary care are two main reasons why workers' compensation costs are going up.
- Act 11, Special Session Laws of Hawai'i 2005, took away the authority of the director to implement rule changes to improve and streamline the administration and implementation of the State's workers' compensation laws, removing a valuable tool used to implement workers' compensation laws.
- This proposal would repeal the changes made by the Legislature to the workers' compensation law, including the limitation on the director's authority to amend administrative rules.
- Restoring the director's rule-making authority helps ensure that injured employees receive quality medical treatment when they become injured on the job by allowing the director to implement evidence-based, clinically tested, medical treatment guidelines.

### Fighting Fraud

A second bill will improve the business and workplace environments by expanding the authority of fraud investigators and increasing penalties for fraud in the area of workers' compensation, thus reducing costs to businesses that are ultimately passed on to consumers and employees.

- Currently, there are insurance fraud penalties in five lines of insurance: motor vehicle, private health insurance, mutual benefit societies, health maintenance organizations, and workers' compensation.
- Although the crime of insurance fraud occurs in all lines of insurance, Hawai'i law limits the insurance fraud investigations unit to investigating and prosecuting only motor vehicle insurance fraud.
- This bill provides the authority necessary to fight workers' compensation fraud by expanding the jurisdiction of the insurance fraud investigations unit to include workers' compensation insurance.

### Reducing Unemployment Insurance Tax

For most of 2005 Hawai'i enjoyed the enviable distinction of having the lowest unemployment rate in the nation. This year, the Administration has reintroduced its proposal to reduce the employee wage base that employers are taxed on to pay into the Unemployment Insurance Trust Fund.

- Hawai'i's low unemployment rate and strong job growth has helped the unemployment insurance trust fund balance grow to approximately \$452.9 million. It is estimated that total benefit payments will be \$84 million in 2006, \$88 million for 2007, and \$90 million in 2008, considerably lower than the amount employers pay into the fund. With these estimates, the trust fund will have a projected balance of \$588 million dollars in 2008.

- Hawai'i's unemployment insurance system automatically increases contribution and benefit levels. Hawai'i's maximum weekly benefit amount was \$383 dollars in 2001, \$395 in 2002, \$407 in 2003, \$417 in 2004, \$436 in 2005, and currently is \$459.
- This bill will provide immediate relief to businesses by reducing the wage base used to make payments into the Unemployment Trust Fund – from \$34,000 (highest in the nation) to \$7,000 (federal minimum) a year – while not affecting the annual automatic increase in the weekly benefit amount.
- This will reduce employer taxes by an estimated \$165 million over the next three years – money that can be used to increase worker benefits, salaries, or add more positions.

### Adjusting the Tip Credit

This legislation would increase the tip wage credit to help businesses deal with increases in the minimum wage, and help equalize wages between tipped and non-tipped staff.

- Currently, the hourly wage of a tipped employee may be deemed to be increased on account of tips if the employee is paid not less than 25 cents below the minimum wage and the combined amount the employee receives from the hourly wage and tips is at least 50 cents more than the minimum wage.
- Hawai'i's tip credit was 20 cents in 1969 when the minimum wage was \$1.60 an hour. Today, the minimum wage is \$6.75, but the tip credit is only 25 cents. Thus, while the minimum wage has increased by over 300%, the tip credit has only gone up 25%. Further exacerbating this disparity, Hawai'i's minimum wage will rise to \$7.25 per hour on January 1, 2007.
- The national tip credit average is \$3.00. The federal tip credit is \$3.02 on the federal minimum wage of \$5.15 an hour.
- Hawai'i's current tip credit does not take into consideration the investment employers make to enable employees to earn tips.
- By increasing the tip credit, businesses will be able to offer their lowest paid, non-tipped employees, such as cooks and dishwashers, greater wages and benefits.
- This bill would increase Hawai'i's tip credit from 25 cents to \$1.25 upon approval, to \$2.25 on January 1, 2007, and to 25% of the tips claimed by an employee as income beginning January 1, 2008.

### Supporting Tourism

Tourism remains the primary industry supporting Hawai'i's economy. It is important to ensure that the organizations that have aided this key industry continue to play an active role in their progress. It is also important to ensure that our State preserves and maintains the infrastructure that keeps visitors returning to our islands.

The Administration is proposing legislation to return to the Department of Business, Economic Development and Tourism (DBEDT) its rightful role as a voting member of the Hawai'i Tourism Authority Board.

- DBEDT was instrumental in establishing the Hawai'i Tourism Authority and served as an advocate in support of its formation.
- DBEDT's voting rights on the Board of this organization were unilaterally removed in 2005 by the Legislature in Act 235 with no public testimony, no justification, and over the objections of many industry officials
- As the State's policy entity for tourism marketing and promotion, the Director of the Department of Business, Economic Development and Tourism, or his designee, should be an ex-officio voting member on the Board.
- This bill would restore those voting rights immediately upon enactment

The Hawai'i Convention Center is in its seventh year of full operation. It is at a stage in which major repairs and maintenance are necessary to maintain this facility as a world-class convention center.

No funds were provided in FY 2006 by the Legislature for major repairs and maintenance at the Hawai'i Convention Center. The Lingle-Aiona FY 2007 supplemental budget proposes investing \$2 million to perform basic maintenance and minor upgrades in the facility this coming year.